

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – APRIL 19, 2006

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Steven Slovenski, Legal Counsel; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Evie Taft, Human Resources Administrator; Richard \ Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist. **Guests:** Al Picconi, Southern Wine & Spirits of N.E., Inc.

EXCUSED: Eddie Edwards, Chief of Enforcement.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Total sales for the week ending April 16, 2006 increased 16.44% or \$1,002,397 over the same week last year, and also increased for the year by 6.08% or \$19,065,488. George reminded everyone that the yearly increase is really a little over \$17,000,000, as \$1.6 million of FY05 sales are not included in the comparison to properly compare weeks in this fiscal year to last year. Commissioner Byrne commented that the two extra sale days for the July holiday should make up the difference.

B. Budget/Administrative Reports:

There are no current changes to legislative bills. There will be a hearing on HB 1305 this morning.

The Commission had four items on the last Governor and Council agenda – two requests for reclassifications, the NABCA project for Enforcement and money transfers. These items all passed without question.

Craig asked for guidance regarding prioritization of the capital budget items, which needs to be submitted to Administrative Services as soon as possible. (It was decided that this would be addressed at the close of the meeting.)

The LBA is waiting to receive revenue projects for both this year and next year. George asked for guidance as to whether the original plan should be adhered to or if projections should include a shortfall. (This item was also deferred to the end of the meeting.)

Craig reminded the Bureau Chiefs that there will be a meeting upstairs today regarding the Commission's Memorandum of Agreement with OIT.

The current W-6 Expense Budget Activity Variance Report shows the year to be at around 80% expired, with total budget expenditures at about 76%.

2. IT Report:

A week ago Saturday a change was made on the business information server. There were several glitches, which were taken care of right away.

Last Friday afternoon a network outage occurred, and the system was not connected to the stores for a brief period of time. It is not known at this time what caused this. Verizon had been doing some testing which produced interference here, and were asked to stop.

There are problems concerning space on the W and Z drives. A week from this Saturday a realignment will be done to alleviate this situation.

A demo for the point-of-sale RFP is taking place at this time in the warehouse.

3. Human Resources Report:

Evie reported that there are currently 15 overdue evaluations: 11 for stores; 3 for headquarters and 2 for the Enforcement Bureau.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 4/16/06 increased by 11.56% or \$538,290.83. These numbers do not include any Sunday sales, as all stores were closed on Easter.

There will be a meeting to discuss merchandising with Cluster 2 stores tomorrow afternoon at Store #76 Hampton.

2. Purchasing Report:

There was nothing of significance to discuss regarding purchasing for this week.

3. Merchandising Report:

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Milagro Anejo Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./William Grant and Sons for a new test market listing for Milagro Anejo Tequila, 750ML size (assigned new Code #192), to be initially distributed to Cluster 1, 2 and 3 stores, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Cabana Bay Coconut & Pineapple Coconut Rums):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/White Rock Distillery for new test market listings for Cabana Bay Coconut Rum, 750ML size (assigned new Code #4023) and Cabana Bay Pineapple/Coconut Rum, 750ML size (assigned new Code #4022). The motion was passed on a two to one vote, with Commissioner Maiola opposed.

c. Test Market Result (Code #3981):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status to Code #3981, Three Olives Berry Vodka, 750ML size, as this item did exceed the gross profit required for specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Father's Day Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve forty (40) spirit items to be featured during the Father's Day Sale, scheduled for Thursday, June 8 through Sunday, June 18, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) June Special Offers:

a. 41 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for forty-one (41) spirit items, to be featured on sale during June 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 111 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions for one hundred eleven (111) spirit items, to be featured on sale during June 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 249 items – Southern Wine & Spirits of N.E., Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of N.E., Inc., based upon depletions for two hundred forty-nine (249) spirit items, to be featured on sale during June 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for June 2006:

a. 2 items – Father's Day Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions for two (2) wine items, to be featured during the Father's Day Sale scheduled for Thursday, June 8 through Sunday, June 18, 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 4 items – E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from E & J Gallo Winery, based upon depletions for four (4) wine items, to be featured during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 4 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions/special purchase allowances for four (4) wine items, to be featured during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 11 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions for eleven (11) wine items, to be featured during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 9 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions/special purchase allowances for nine (9) wine items, to be featured during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) July 2006 E-Mail Alert Coupons:

- a. Horizon Beverage Co./Sebastiani Vineyards:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage

Company/Sebastiani Vineyards to utilize an e-mail alert coupon during July 2006 featuring Code #8929, Sebastiani Chardonnay Sonoma, 750ML size, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Pine State Trading Co./Rex Goliath:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Pine State Trading Company/Rex Goliath to utilize an e-mail alert coupon during June 2006 featuring two Rex Goliath wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Beam Estates Gift Card Give Away – June, July & August 2006:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company to conduct a Beam Estates Gift Card Give Away during June, July and August 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Gallo 25% Off Sale, Tastings, and Mirassou Visit:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Pine State Trading Company/E & J Gallo Winery, to conduct a Gallo 25% off sale, including in-store tastings and winemaker visits with Steve Mirassou, during June and July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) South Corp Buy One Get One Half Off:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H. to conduct a “Buy One Get One Half Off” sale featuring eleven (11) South Corp wines during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Recommended Allocated Wines for Distribution to Selected Stores (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) allocated wines (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) “R” Wines for Allocation to Licensees (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) restricted wine for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) Primary Source Submissions (1 primary source; 1 exclusive agent; 63 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code which is from primary source, one (1) wine code which is offered by the exclusive marketing agent, and sixty-three (63) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – No report given.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment

**NEW HAMPSHIRE STATE LIQUOR COMMISSION
MINUTES OF MEETING – APRIL 19, 2006**

Page Eight

releases/transfers dated April 13 through April 19, 2006. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. 2003 Bordeaux Update:

Per request by Commissioner Byrne, Nicole reported that Diageo said New Hampshire would receive 52% (482) cases of the order placed back in 2004 on 2003 bordeauxs. There is a meeting scheduled with Diageo representatives this Friday at 10:00 a.m. Nicole said she received confirmation from Pennsylvania that they are receiving 85% of what they ordered.

b. Capital Budget:

Conversation resumed regarding prioritization of items to be presented in the capital budget. In addition, it was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission adhere to the original revenue projections without making any changes. The motion was unanimously adopted.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford